Creating A Better Hawaii
Through Private Enterprise

SMALL BUSINESS NEWS

Volume 28, Number 3 • smallbusinesshawaii.com March 2003

Labor Director to Discuss New State Focus

Governor Lingle's appointee to direct the Department of Labor & Industrial Relations (DLIR), **Nelson Befitel**, will be the next SBH Sunrise speaker, **Thursday, March 27**, in the Pineapple Room, Ala Moana Center from 7 – 8:30 am.

A complete buffet breakfast, program and networking are included. A free exhibit area for member promotions is available.

Befitel, an attorney, is changing the face of the DLIR which has been hostile to business and employers in the past. He seeks to balance the interests of all labor, not just unions, in carrying out compensation and benefit policies, UI, TDI, work comp and other programs that affect all businesses.

Sunrise Forums help members to become better informed and do more business. In February, DCCA's **Mark Recktenwald**

Continued on page 8.

SBH MEMBER
CALENDAR
PHONE 396-1724 • FAX: 396-1726

Friday, March 7
Micro Enterprise 101
SBDC Resource Center

Saturday, March 8
Amazing Women Conference
Moana Surfrider Hotel • 10 am – 2 pm

Tuesday, March 18
Aiea-PearlCity Business Association
Pearl Country Club • 12 noon

Wednesday, March 19
SBH Board Meeting
Oahu Country Club • 12 noon

Thursday, March 27
SBH Sunrise Networking
Nelson Befitel, DLIR
Pineapple Room • 7 – 8:30 am

The setting is the beautiful Sheraton Moana Surfrider Hotel along Waikiki Beach for March 8's "Amazing Woman Conference" co-sponsored by Small Business Hawaii. SBH member Deborah Micek (left) is the forum organizer. Other sponsors for the event include Hawaii Woman Magazine HawaiiReporter and the Sheraton Moana Surfrider.

SBH Co-sponsors 'Amazing Women Conference'

You, or a woman you know are invited to the **"Amazing Women Amazing World Business Conference" on Saturday, March 8, in the Grand Salon Terrace of the Sheraton Moana Surfrider Hotel** (2365 Kalakaua Avenue, Waikiki), **10 am to 2 pm**. Men are welcome too! The event is free.

BYOBB — Bring Your Own Brown Bag — or frequent the hotel café during the lunch break and meet a new friend / associate / mentor at the same time!

Amazing Women Amazing World Day 2003 is a day on which women, business professionals, business owners, young people, and their families in countries everywhere join with millions of others throughout the world in hundreds of unique events that encourage self-honor, express a shared concern for the well-being of others, and create a foundation for inspired action. Think, Learn, Profit — Guaranteed!

Featured will be:

• An exciting line up of Amazing Women Speakers scheduled throughout the day along with networking opportunities to meet and get to know other amazing women and girls throughout the day.

Continued on page 4.

New Indictments Coming for Felix. ..... Page 4
J.A. to Induct Three Laureates..... Page 5
Education Bureaucrats are Crying ..... Page 6
An Open Letter to Lawmakers ..... Page 7
Marks of Good Tax Policy ..... Page 9
Happy Birthday Hawaii Reporter ..... Page 10

Legislature is Half Over – Still No Budget & No Reform • Page 3

Small Business Views

By Sam Slom, President – Small Business Hawaii

Hawaii, like the rest of the Nation, is bracing for the possible impact of a war in Iraq. Hawaii's economy, just starting to show signs of major recovery, could be one of the hardest hit states especially with the affect on tourism and air transportation. The Governor has already put together a task force as has the Legislature to study options and a course of action. We all hope that war doesn't come, but if it does, we want to be prepared. Many of Hawaii's sons and daughters have already been called up and we give them our 100% support along with that to our President.

Governor **Linda Lingle**, always the businesswoman, went to meet the President and top leaders at the White House after a Governors Conference and took along plenty of Hawaiian coffee. She intends to convince the White House to serve our coffee exclusively since it is the *only* coffee grown and produced in the United States. And, it's the best in the world! Local business people were amazed that we finally have a chief executive who really understands Hawaii business — and actively promotes it.

Salvinia Molesta, the aptly named demon weed that has strangled Wahiawa's beautiful Lake Wilson in a matter of weeks apparently came from careless aquarium owners dumping their fish and plants. This plant is unbelievable; it adds 400 tons of new material a day! Where was the appropriate state body to protect us? If business slept at the switch or delayed there would be a huge hue and cry. Now if we could only find an economic need for *salvinia* we could eliminate all taxes in Hawaii and live off the proceeds. Can't the *vegans* among us eat it and tout it as a healthy food source?

Hawaii is "snake free" or at least supposed to be. (A 3-6 foot snake was sighted last month in Maui). Guam is overrun with brown tree snakes that ate all birds, attacks children, and causes power outages. Three years ago the state brought in a live, sterile brown tree snake (Governor Cayetano named it "Sam") so that local sniffer dogs could practice on the real thing. "Sam" died (under suspicious circumstances) and so did his successor. The Legislature wants to pass a bill this session to bring in four live snakes. There are already too many snakes in Hawaii's government.

Dick Rowland and **Malia Zimmerman** off to DC to meet the President March 14 –15.

When the Honolulu Zoo accepted two elephants as gifts years ago, one of the stipulations was that they must breed. The City delayed doing anything. Then they were told they must act and build a breeding house for the mighty Republican symbols. The original cost estimate was $3 million. The estimate is now $13 million and climbing. Get them a Waikiki hotel or buy them a Waialae Kahala home instead.

The cost of mold removal from the brand new Hilton Hawaiian Village Hotel addition continues to rise as well. It climbed from $10 million to the current estimate of $50 million.

We all know that women are truly amazing, but on Saturday, March 8 the community can see them in action at an awesome **AmazingWomen** workshop in the Moana Surfrider Hotel from 8am – 2pm. SBH is a proud cosponsor of the event. Organized by the amazing **Deborah Micek**, the workshop features other SBH member speakers including, Dr. **Suzanne Gelb, Julie Rose, Kathy Tugman** and **Malia Zimmerman**. Don't miss it!

Ted Liu, the new Director of the State Department of Business, Economic Development & Tourism, has the tools — and attitude — to rejuvenate DBEDT. He is prominent at the legislative hearings, small business caucus and is listening to many business leaders. Liu called his own confab in early February. **Dick Rowland** attended and represented SBH.

Katsumi Tanaka, of E Noa Tours, is the chairman of the Small Business Regulatory Review Board, created years ago through legislation introduced by Rep. **Bob Herkes** and advocated by groups such as NFIB and SBH. The Board got little respect and less notice during the Cayetano years, but more is hoped under Governor Lingle and Ted Liu.

Former DBEDT Director, Dr. **Seiji Naya**, who was pro-business in an anti-business administration, has returned to the East West Center. Naya recently published a new book on Asian economy.

A few months ago I reported the death of **Randy Lee** of Chock's Appliance & TV. The venerable family-owned business will close after 57 years of service to the community.

Hawaii is well on its way to business recovery — and diversification but the threat of war which we cannot control looms large. Its time to take stock of your personal and business priorities and preparedness. We can all work together, and by helping one another, weather any future storm. Aloha!

Manufacturing Workshop to be Held

Innovative Solutions (formerly Hawaii MEP) is offering Hawaii businesses help and solutions to succeed. The workshop, Lean 101: Principles of Manufacturing will be offered Wednesday, March 19th at the Pearl Country Club in Aiea, 8am to 4:30 pm.. Concepts learned in this workshop are applicable to any operation that adds value to a product, or does material handling, and can help you with implementing process improvement, teamwork and quality at the source.

The session will examine Lean manufacturing techniques and applications, including the elimination of the seven deadly wastes in manufacturing: Overproduction, Wait Time, Transportation, Inefficient Process, Inventory, Motion and Defects — the biggest opportunities facing manufacturers today.

The cost is $190 By Feb 28th or $275 After Feb 28th. A group discount is available for groups of 2 or more people. Lunch, refreshments and course materials are included.

To register for the workshop contact **Bill Wiedmann** at 383-0194, or send an email to: wiedmann@hawaii.edu.

SMALL BUSINESS NEWS

Volume 28, No. 3 • March 2003

SMALL BUSINESS HAWAII
6600 Kalanianaole Hwy., #212 • Honolulu, HI 96825
Ph. (808) 396-1724 • FAX (808) 396-1726
email: sbh@lava.net
Web: http://www.smallbusinesshawaii.com

Published monthly by Small Business Hawaii,
Periodicals Postage Paid at Honolulu, Hawaii.
Small Business News (ISSN #0279-8395)

EDITOR & PUBLISHER: **Samuel M. Slom**
MANAGING EDITOR: **Malia Zimmerman**
DIRECTORS: **Joyce Edwards, Wayne Fukuda, Michael Marsh, Peter Matsumoto, David Muldoon, Richard Rowland, Jack Schneider, Bob Sigall, Sam Slom, Geal Talbert, John Yanagihara & Brian Zinn**
COMPUTER GRAPHICS: **Melvin Ah Ching**
POSTMASTER: Send address changes to
Small Business Hawaii,
6600 Kalanianaole Hwy., Suite 212
Honolulu, Hawaii 96825.

Small Business Hawaii (SBH), was founded in 1975, by **Lex Brodie**. SBH is a private, independent, nonprofit [501 (c) (6)] statewide association of nearly 3,000 business members.

SBH is dedicated to improving Hawaii's business climate, creating a better Hawaii through private, competitive enterprise, and promoting, educating, and effectively representing small business, while advocating tax reduction, lower business costs and job creation incentives to diversify Hawaii's economy.

SBH invites comment small business issues in Hawaii. Send them to Small Business Hawaii by the **10th of the month** for the next issue. Commentaries and news items should be no longer than 800 words; 500 words are desired. SBH accepts advertising only from SBH member firms. Call SBH for details on advertising.

Legislature at Halfway Point: No Budget, No Reform

The 22nd State Legislature convened its 60 working day session January 15. The Session is set to adjourn May 1. Now, past the halfway mark, little has been accomplished but a lot remains on the table. A looming war in Iraq clouds Hawaii's economic and budget process even more.

The $7-plus billion biennium state budget is still not balanced. The former governor and the current Democrats in the Legislature want to raid the Hurricane Relief Fund and take nearly $175 million for the current budget; Governor Lingle and the Republicans do not. Other Special Funds have been targeted for elimination or transfer. The Legislature awaits the Governor's promised first independent financial audit of the state.

The Governor's state of the state message focused on three primary areas: **restoring trust in government, educational reform and economic improvement**. Majority party leaders have killed the first two for this year, leaving hope only for some economic turnaround. The Governor's new cabinet appointees are all attuned to business improvement and have been doing a good job. All came through confirmation hearings in Senate committees and should be approved by the entire Senate shortly. They are on the job and already making a difference.

A total 3,401 bills were introduced in the House and Senate by the January 24 deadline. The Administration dropped in 168 measures for government and business reform. Many bills "died" without a hearing. The first "crossover" is March 6 when remaining bills must pass from one house to the other for further hearings and consideration.

There are dozens of bills that add new Special Funds, increase fees/ taxes, undermine privitazation, collective bargaining reform, and the new state public EUTF, employees health trust fund, scheduled to begin July 1. There are bills to increase the marriage fee (tax) and to fund many unrelated activities.

A selected list of bills appears on the adjacent column.

The Administration has remained focused on returning fiscal discipline. Special kudos to budget director, **Georgina Kawamura**. Many in the Democrat controlled Legislature haven't gotten the message yet. The budget battle will continue to end of session. Businesses supporting — or opposing — legislation should continue to be active, vigilant and involved.

The small business community had an opportunity to meet and ask Governor Lingle's cabinet members questions about the business climate and changes to improve it. Above DBEDT's Ted Liu listens to a constituent question while DCCA's Mark Recktenwald looks on.

A SELECTED LIST OF GOOD BILLS

SB 377	Ko Olina Investment Tax Credit
SB 407	Tort Reform; Ends Joint/Several Liability
SB 410	Requires Zero Based Budgeting
SB 416	Exempts Food and Medical/General Excise Tax
SB 448	Increases Small Claims Recovery to $5,000
SB 450	Exempts Taxis from Seat Belt Law
SB 1315	Eliminates Insurance Fraud
SB 1322	Ends Health Insurance Premium Tax
SB 1324	Claim Evaluation Conciliation
SB 1629	Extends GET Exemption for Condo & Hotel Employee Exp.

A SELECTED LIST OF BAD BILLS

SB 1	Successor employer must rehire 50% of prior employees
SB 205	Requires public employers to provide 8 hrs. paid leave
SB 319	Food & Waste/Recycle Separation for Restaurants
SB 464	Rail Transit/Eminent Domain
SB 936	Raids Unemployment Insurance to Benefit the "Abused"
SB 1088	Long Term Care Tax (HB 1616)
SB 1139	Increases Parent Educ. "fee" $35 – $50
SB 1332	Salary Commission to Raise Executive Salaries
SB 1333	Salary Commission to Raise Judicial Salaries
SB 1401	Passenger Facility Charge ($4.50)
SB 1404	Counties to Impose "Impact Fees"
SB 1461	Requires 2% of TAT For Promotion
SB 1517	Increases Conveyance Tax
SB 1626	GET Tax up to 4.5% (PROPOSED SD-1; gutted original)
HB 456	Increases Towing Fees
HB 510	Erodes Privatization (also SB 1065)
HB 1438	Kills Secondary Mortgage Market
HB 1554	Forces tax increase in Honolulu
HB 1593	Expands UI Benefits to Strikers
HB 1617	"Universal" Socialized Medicine

SBDC Training for New Business Owners

Starting a business is one thing, making it work is another. Most new business owners have only a partial knowledge of how to operate a small business. The Small business Resource Center (SBDC) is offering training for the important first steps of a small business with its "**Micro Enterprise 101**" workshop.

It will be held **Friday, March 7** at the chinatown SBDC center, 1041 Nu'uanu Avenue in Honolulu. The fee for the one-day class is $15 in advance. or $20 at the door.

the class covers subjects such as business plans, basic accounting and bookkeeping, state tax rules, credit, licensing & permits and financing. At the end of the session, participants will receive a certificate validating their path to entrepreneurship.

For information and registration, contact **Jane Sawyer** at 541-2973 or jane.sawyer@sba.gov.

Amazing Women Conference is a Free Event on March 8

Continued from page 1.

Several members of Small Business Hawaii will be featured speakers at the event, including:

Kathy Tugman (10 – 10:30 am);
Dr. Suzanne J. Gelb (10:30 –11 am)
Deborah Cole Micek (12:30 –1 pm)
Malia Zimmerman (1 – 1:30 pm)

In addition, **Dr. Lynda H. Jaques** (11 – 11:30 am) and former Miss Hawaii 2000 and Managing Editor of Hawaii Woman Magazine, **Billie K. Takaki** will speak (11:30 am - 12 noon).

SBH member **Deborah Micek,** Business Results Coach & Life Strategist is the overall forum organizer. Cosponsors include: *Hawaii Woman* Magazine, HawaiiReporter, Sheraton Moana Surfrider Hotel and Small Business Hawaii.

This is a day where the sponsors will be bringing small business owners, together with high school and college students, connecting them with experienced women in business to facilitate mentoring opportunities throughout Y-2003.

Please RSVP to: **SpecialEvents@RPMsuccess.com** or phone 808.237.1008 with the names of women in your network planning to attend so we will have enough seats for you. Limited seating — Call or Email today to register. Invite your friends & colleagues in your network.

Governor's Task Force on Preparedness Seeks Suggestions

Governor **Linda Lingle** has convened the Governor's Task Force on Economic Preparedness to develop contingency plans to deal with the volatile Middle East situation. The first step is to obtain an overview of what plans already exist. One member of the Governor's panel is SBH member **Mike Herb**. He is interested in hearing from other members who may have been discussing these issues as they relate to their business or industry. If you want to give the Task Force some suggestions—or have questions—contact Mike at 521-9709.

IS PAYROLL A PAIN?

JS SERVICES, INC.
Employee Leasing

▪ Workers' Comp ▪ TDI Health Insurance
▪ Certified Payroll ▪ 401(k), 125(c)

Call us for relief
Call (808) 596-2727

The Legislative House-Senate Felix Investigative Committee held a press conference last month announcing a settlement of a $1 million claim against Kapiolani Health Hawaii.

New Felix Subpoenas Expected

The 12-member bipartisan Senate-House Felix Special Education Investigating Committee announced a new round of meetings — and subpoenas. The extraordinary legislative body, formed in 2001, met through 2001 and 2002.

State Senator **Colleen Hanabusa** and State Rep. **Scott Saiki** head the Committee. Serving on the Committee are: Senators **Russell Kokubun**; **Norman Sakamoto** and **Sam Slom**; Representatives **Ken Ito**; **Bertha Kawakami**; **Bertha Leong**; **Barbara Marumoto** and **Blake Oshiro**. Two Senate vacancies created by the election losses in 2002 were filled by **Donna Mercado Kim** and **Gary Hooser**.

Despite recent comments in the media — notably from plaintiff attorney **Eric Seitz** (a major beneficiary of the costly Felix procedures), the legislature *did* find ample evidence in fraud related to the dispersing of nearly $1.5 billion in public funds for the education of identified special needs students over the past decade. The information gleaned from hundreds of hours of public testimony had been turned over to the Attorney General's office. The 2002 election and new Administration brought a change in AG personnel.

The investigating committee reconvened February 1 at the Capitol. A dozen subpoenas were announced, mainly to Department of Health and Department of Education supervisors or program leaders.

Efforts to subpoena **Judith Schrag** and **Ivor Groves** — two of the original instigators of the Felix set-up in Hawaii, continue to be blocked by Federal Judge **David Ezra**. One minor provider indictment and conviction occurred last year. In early February, the Committee announced that Kapiolani Health Hawaii had settled a $1 million claim with the State and in later February, new Attorney General **Mark Bennett** announced a 16 felony indictment of a Felix service provider, and promised more action by the state in the near future.

State Auditor **Marion Higa**, and her office, provide legal and logistical support for the Committee's work. In the past Higa has complained she was blocked from getting financial information previously and described a "culture of profit" that developed involving some administering the Felix programs.

Time for Giving

by Jerry Taniyama, President APCBA

Back in mid-1980, several of my business acquaintances met mornings for coffee and to share our thoughts on the leeward business environment. **Bill Hart**, **Ellis Bugarin**, **Masa Inouye**, the late **Bill Sullivan** and I agreed that our area needed an organization that could deal with local issues and provide support to all areas of our community.

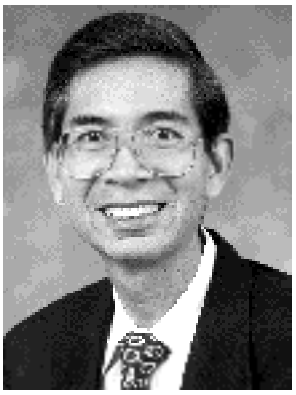
We identified the need to create a business association and named it the Aiea Pearl City Business Association (APCBA). The five basic goals were to : provide an avenue for local businesses to meet and network; provide programs to educate; organize and implement service projects; become proactive in business legislation, and to increase community awareness of the organization.

More than 23 years later APCBA has survived, prospered and continues to meet its original goals. We want to make a difference and that comes from giving to others. Many of our members give a lot of their time and expertise to improve their trade and community. **Dick Rowland, Andy Fox, Fran Egdamin, Wayne Matsuyama** and **Brian Winter** can be seen on the area Neighborhood Boards. **Jarrett Oshiro** and **Dennis Wong** are very active with the Leeward Education Coalition to improve area schools. **Dr. Angela Chin**, DMD is Queen's Medical Chief of Dental Services. We are proud of her spirit of giving.

Several years ago, **Suzette Yamasaki** saw a need to combat the mounting graffiti problems. She organized the business community Anti Graffiti Task Force. These are just a few of the many ways our members have proven that we can solve problems by adopting the theme of giving through service.

Chatt G. Wright, President of Hawaii Pacific University

Henry A. Walker Jr., President/CEO, AMFAC Inc.



Eddie Flores Jr., President & Founder, L & L Drive Inn

Junior Achievement Announces Class of 2003 Business Hall of Fame Laureates

Junior Achievement of Hawaii announced three new inductees into the *JA Business Hall of Fame* for 2003. Honorees selected by Hawaii business leaders are: **Chatt G. Wright**, President of Hawaii Pacific University; **Eddie Flores, Jr.**, President and Founder of L&L Drive Inn and the late) **Henry A. Walker, Jr.**, retired President/CEO, AMFAC, Inc.

The new Laureates will be honored and inducted into the Hall of Fame at an awards dinner on Thursday, April 24 at the Sheraton Waikiki Hotel. The life-long accomplishments of each Laureate will be celebrated at the event and will serve as an inspiration to the business community and to Hawaii's youth. The three join 49 distinguished individuals who have been selected since its inception in Hawaii in 1990.

This year's Laureates will also be honored at the State Capitol in separate House and Senate floor sessions on April 2 arranged by Rep. **Barbara Marumoto** and Senator **Sam Slom**.

Nominations are reviewed by the Selection Committee composed of leaders of the Chamber of Commerce, Hawaii Business Roundtable, Hawaii Council on Economic Education, Junior Achievement of Hawaii and Small Business Hawaii.

For reservations or information about the dinner, or for reserving a company table, contact JA at (808) 545-1777 ext. 14.

Makaha Talk Story

The newly opened Makaha Development Office (in the old Coronet store space) at the Makaha Marketplace will host an informal business talkstory session on Thursday, March 6 from 10am to noon.

Get answers to questions about opening and operating your own business and how to make an existing business more successful. **Mark Tagawa** of the SBDC will be the presenter. For more info, call 522-8131, Ext. 221.

THE MORE YOU NEED TO STORE, THE MORE YOU NEED SPACE SAVING SYSTEMS.

Double your filing and storage capacity — or handle current needs in half the space — with Spacesaver high-density mobile systems.

You'll also...

- Gain faster file retrieval
- Improve filing accuracy
- Strengthen security
- Eliminate remote-site storage
- Cut per-inch filing costs up to 50%!

At today's floor-space prices, why not save? Ask our experienced specialists for a Free Space Efficiency Audit.

When Performance Counts

SYSTEMCENTER

1738 Silva Street
Honolulu, Hawaii 96819
847-0911 Toll Free: 1-800-560-8882
www.systemcenter.com

Run Your Car on Water? Not!

You think a gallon of gas is expensive? Here are some comparison figures on liquids we use in everyday life:

Diet Snapple ……16 oz $1.29
$10.32 per gallon
Lipton Ice Tea ……16 oz $1.19
$ 9.52 per gallon
Gatorade ……20 oz $1.59
$10.17 per gallon
Ocean Spray ……16 oz $1.25
$10 .00 per gallon
Brake Fluid …… 12 oz $3.15
$33.60 per gallon
Vick's Nyquil …… 6 oz $8.35
$178.13 per gallon
Pepto Bismol ……4 oz $3.85
$123.20 per gallon
Whiteout …… 7 oz $1.39
$25.42 per gallon
Scope ……1.5 oz $0.99
$84.48 per gallon

Here is the real kicker..
Evian water …… 9 oz for $1.49
$21.19 per gallon

$21.19 for water, and the buyers don't even know the source.

So, the next time you're at the pump, be glad your car doesn't run on water, Scope, or Whiteout, or worse yet, Pepto Bismol or Nyquil! So much for alternative fuels.

AUW Honors Community Leaders

Aloha United Way (AUW) announced its 2002 "Spirit of Community Awards," in mid-February., honoring three business firms and one individual for their outstanding commitment to the community. **First Hawaiian Bank** received "Company of the Year" honors. Also receiving awards were; **Anson Pang**, American Savings Bank, "Coordinator of the year," **UH Federal Credit Union**, "Public Service Organization of the Year," and **Certified Management, Inc.**, "Best First-Time Campaign."

SEND US A FAX

396-1726

SBH Faxline Open 24 Hours a Day!

Education Bureaucrats Shed Crocodile Tears Despite Having the Big Bucks

By **Laura Brown**

Despite dire predictions from Department of Education officials at a recent State House Finance Committee hearing, it is unlikely that the alleged lack of toilet paper and other shortfalls in public schools has anything to do with an impending $3 million reduction in the Department of Education's $1.3 billion general fund allocation. In fact, according to the DOE's Financial Report for FY01-02, general/federal/special/trust fund appropriations totaled $1,673.5 million, an increase of $247.3 million or 17.3 percent from the previous year.

Increases in direct school spending and Comprehensive Student Support accounted for 98.5 percent of the general fund increase of $180.5 million. Federal grants also increased by $57.8 million for a total of $276.7 million.

Expenditures totaled $1.5 million — $254.2 million and 20.2 percent more than the previous year — leaving a $164 million unencumbered balance at the end of FY01-02. In layman's terms, the DOE is rolling in dough.

The '99-'00 U.S. Census report showed Hawaii's average per-pupil spending figure of $6,835. Hawaii ranked 25 out of 50 states in per-pupil expenditures that year. In FY01-02, per pupil costs based on average enrollment soared to $7,626 or $8,167 based on average attendance. These figures do not include debt service costs or Adult Education expenditures under EDN 500. Adult Education costs — an expenditure that does not belong in a K-12 education budget, amounted to $9,498 million.

According to a table prepared and published by Columnist Cliff Slater based on Historical Statistics of Hawaii, K-12 education spending increased from $134 million in 1970 to over $1.3 billion for about the same number of students. See: http://www.lava.net/cslater/HEDSTATS.gif

Public education expenditures and personnel continue to increase while public school enrollment decreased from 182,767 to 182,612 last year.

The Hawaii State Department of Education Directory lists over 2,650 central, district and school administrators. Alarmist testimony by the DOE stated that the department would be unable to fund even fully funded federal positions, but a summary of recommendations of the Department of Budget and Finance for the DOE fiscal biennium 2003-2005 adds 1,691 positions under EDN150 and eliminates only 2 state and district positions. Very few positions listed in the DOE personnel directory remain vacant.

It is the Board of Education, not the governor, who is in charge of setting priorities for the DOE budget. Unfortunately, it appears that unions unduly influence the Board's priorities. The addition of thousands of "paraprofessionals" under the guise of "Felix," now shifting to No Child Left Behind funding, has diluted the money available for increased teacher salaries. While the cost of education has exploded, teacher salaries have slipped ever backwards.

Volume 20 of the Government Union Review and Public Policy Digest entitled, "If Their Unions are So Powerful, Why are Teachers Not Better Paid?" discusses this phenomenon.

The DOE now has "specialists" to learn new teaching practices, develop curriculum and lesson plans, type and grade class work, involve parents and work with children as "instructional aides." Principals have business managers and district resource personnel to take over their responsibilities. The result is diluted quality and focus on the classroom and individual school budget. Therefore, the DOE has no one but themselves to blame for the current misappropriation of copious education funds.

Laura Brown is the education writer and a researcher for HawaiiReporter.com. She can be reached at: laurabrown@Hawaii.rr.com

An Open Letter to All Hawaii State Legislators

By **Richard Rowland**, President,
The Grassroot Institute of Hawaii, Inc.

Subject: Teaching Legislators Real-World Accountability

Fully aware that this idea is too late for the 2003 legislative session, it nonetheless is offered for your consideration and planning for the 2004 session.

Here it is.

Background: In a talk recently, it was mentioned that the legislature had passed one bill so far which was to authorize the expenditure of $20,800,000 to support the operations of the legislature for 2003-04. With 76 in the legislature divided into the $20,800,000 one gets $273,684 for each legislator for the two years. Divided by 24, one gets a cost per legislator per month of $11,416.66.

Currently, legislators are assigned their offices and allowed staff and other expenses at no out of pocket costs. They do not have to deal with accounting, hiring, payroll taxes, advisor fees, office space expenses, office supplies etc. But they deal with policy on those matters all the time.

Proposal: Eliminate all pay, benefits, all employees, office space and office equipment and supplies for legislators and their support. That includes the Legislative and Minority/Majority Research Offices and all other free support offices.

Then provide an allowance to each legislator of $11,416.66 per month for his or her term of office. With that allowance each legislator will rent appropriate space (from the state or elsewhere), hire employees and pay all relevant benefits (including their own), pay for office supplies etc. Also, for the research and design of proposed bills, the legislators involved will be free to select and pay the researchers & bill development offices in or out of government.

Further, special allowances for leaders like the President of the Senate and Speaker of the House will be paid into a special fund for the support of these leaders. The same will be true of other support (Sgt at Arms, clerk of the Senate etc).

If the legislator fails to pay for services, he or she will be handled in default as a business would be handled. If services are provided from any source for free or below market rates, the legislator will be required to reveal such. For example if the Teamster Union provided a legislator with a Xerox machine, such would be made public knowledge. Borrowing against future cash flow would be allowed with similar disclosure. The Legislative Auditor or other qualified auditor will audit each legislators accounts each year (January) and report results to the press and to the legislative leadership. The legislators will pay a negotiated fee for this service.

The per-session allowance adjustment would be pegged at Ω of 1% below inflation or deflation and could be otherwise changed only by recommendation of a commission (carefully designed to avoid self-dealing), a 75% vote of the legislature and signature of the Governor.

Result: Each legislator would become a semi-business person. Understanding of the difficulties faced by entrepreneurs and small family businesses would be enhanced. Some legislators, if they were poor managers, would get no pay. Others would fail to act responsibly and pocket much of the allowance. The audit would reveal such. Severe penalties for malfeasance should be specified and who would be held accountable for enforcement should be identified.

Prediction: if the above was proposed and taken seriously, we would discover all sorts of costs for running the legislature that had never been revealed before. It might be appropriate to increase the allowance to, say, $15,000 each month. But once the above went into effect, legislators will complain that they are so very busy running their business (to them, wasting time) that they have little time to consider legislation. That would be a good thing because: Much frivolous legislation would never be proposed (too expensive personally) Understanding of legislative impact (unintended consequences) would be raised. Legislators would become, by and large, more thoughtful and careful in legislative activities.

Less career politicians would run for office (less benefits, more accountability).

PRIME LOCATION
For Your Small Business

126 Queen Street
Next to Alexander & Baldwin Building

- 93 SF to 1,476 SF offices
- Convenience of downtown
- Renovated for immediate occupancy
- Flexible lease terms
- Parking

AL American Land Co. Ltd.
536-6111

Labor Director to Speak at SBH Sunrise

Continued from page 1.

spoke. **The public is welcome — advance paid reservations are required.** There is plenty of free parking.

Future forum dates (all Thursdays 7am): April 24; May 29; June 26; July 31; August 28; September 25 and October 30.

Future dates promise more dynamic, interesting and compelling speakers from both the business and government sector.

Emphasis is on business networking. Cost is only $20 for SBH members and their guests who pay in advance; $30 for non-members and at the door, provided space is available. Phone SBH at 396-1724.

Clip and mail the reservation form printed at the bottom of this page.

In January, Governor Lingle's Chief Policy Advisor **Randy Roth** spoke on upcoming changes and answered member questions at a lively forum.

The governor's chief policy advisor Randy Roth (above) spoke before a packed house at January's SBH Sunrise Breakfast. He spoke on policy changes and answered questions.

SBH SUNRISE

Thursday, March 27, 2002 • 7:00 – 8:30 a.m.
Pineapple Room, Ala Moana • Breakfast / Free Parking

Nelson Befitel, Director, Dept. of Labor & Industrial Relations
"A New Direction for Labor Policies"

Reservations made in order received at SBH. No tickets mailed – pick up at registration desk Sept. 26. Guests are welcome at member price. Refunds until March 25.
Advanced Paid Reservations Required by March 26.

Complete Breakfast Buffet and Free Parking (Ala Moana 4th floor) Included

Name _____

Firm Name _____ Phone _____

Address _____ City/Zip _____

My Guest(s) _____

(Firm) _____

Enclosed is my check for* $_____, for _____ (number) people
@ **$20 per member** and their guest(s) who pay in advance.*

Clip and mail with a check to **"SBH Sunrise"** to:
Small Business Hawaii, 6600 Kalanianaole Hwy. #212
Honolulu, HI 96825 PH (808) 396-1724 FAX (808) 396-1726

*The charge is $30 for non-members, and at the door, provided space is available.

LETTERS

MAHALO FOR RECOGNITION

Congratulations on the best SBH Conference yet. And again thank you for the recognition. The "feet to the fire" subject during the lunch speaches reminded me of the second or third Lex Brodie's Small Business Association Conference, when I was privileged to introduce Howard Jarvis. During his speach he said about politicians, "we need to hold the fire to their feet... or perhaps a little higher up, near their seat of learning".

Brought the house down.

Aloha,
Mike Rossell
Production Hawaii, Inc.

EXPRESSION OF GRATITUTE

Dear SBH Members,

Just a note to express my gratitude for the Outstanding Business Reporting Award. It was a great surprise, considering I don't cover business as much as I would like and never considered the VanCams to be a business story, even though it was a classic case of a bungled effort to privatize a government function.

Nonetheless, your reward is meaningful as a reminder small businesses are buffetted first by virtually every trend in government and society, like canaries in a coal mine. For journalists, your community is an unmined source of stories that can help us all understand how the worldworks, and where it is headed.

Thanks again to you and your members.

Daryl Huff
KITV4 News

SBH TV Rolls Tape

Governor **Linda Lingle**'s keynote speech made at January's Annual Small Business Hawaii Conference is now airing on Olelo Channel 54. The half hour program produced for SBH by **Jerry Stansfield** of Video Flair have the following air dates and times: Monday, **March 3**: 1:00 PM; Thursday, **March 13**: 8:30 PM and Tuesday, **March 18**: 8:00 PM.

Broadcast from SBH events such as the monthly Sunrise breakfasts will air at future dates. Go to the SBH website for the latest updates.

Marks of Good Tax Policy

By **Lowell L. Kalapa**, President, Tax Foundation of Hawaii, Inc.

As lawmakers debate the merits of this or that tax proposal, it might be worthwhile to revied the hallmarks of good tax policy and perhapscheck out how some of the latest legislative proposals measure up against these long-honored aspects of good tax policy.

Nearly everyone agrees that taxes should be fair and equitable — treating people in equal situations alike and those in unique situations differently based on the taxpayer's ability to pay. An issue discussed here in the past relating to the taxation of pension income would be a case in point. Just because a retiree receives his or her retirement income in the form of a distribution from a 401(k) as opposed to a pension from a defined benefit plan should not prevent that person from also being excluded from paying state taxes on the distribution. If retirees who receive a payment from a defined benefit plan are exempt from paying state income taxes, so should those who receive their retirement income in the form of a distribution from a 401(k) plan.

A tax should be efficient in that it doesn't cause extraordinary work to administer it or for that matter for the taxpayer to comply with the law. It should cost little to administer in proportion to the revenues it produces. It should not impose extraordinary burdens with which taxpayers must comply that would cause the economy to perform below par. For example, a county proposal would impose an inefficient tax on motorists by imposing a vehicle tax based on the value of the automobile. Automobiles tend to have unique characteristics and are subject to all sorts of external factors. Determining value of personal property is so difficult and time consuming that it makes for an inefficient tax and costs more to administer than the revenues that might be realized from a personal property tax on that vehicle.

A tax should affect the economic system as little as possible, that is, it should be neutral and not cause people to stop working or investing or saving or to make other basic changes in their economic lives. A case in point is the luxury tax the federal government levied on yachts back in the 1980s, thinking that only the rich could possibly own yachts and sail boats. In reality, the rich stopped building or buying yachts in the country and either did without or went outside the country to purchase their pleasure boats. But more importantly, the luxury tax put the carpenters and ship fitters out of work. Instead of punishing the rich for buying such luxury items, they punished the poor working stiff who built those ships of luxury.

A good tax brings with it a certain amount of certainty in that the taxpayer knows what the tax is, the amount imposed, and what is being taxed. A good tax — if there is such a thing — is certain and predictable so that a person knows what tax he or she owes and why. Sometimes problems occur when a new tax is created. Such was the case of the transient accommodations tax when it was first adopted by the 1986

Legislature and implemented in 1987. Because Hawaii had never had a hotel room tax, there was uncertainty as to what was taxable. Initially there was no concrete time period which hotel owners could hold up as a standard by which to determine whether or not they owed the tax. Initially it appeared that a hotel needed to have a paper certificate for each and every room they rented out and it was pointed out the department would have needed empty toilet paper cartons to store all of the certificates.

A good tax has a broad base so that a lower rate can be maintained. The general excise tax is a good case in point. It taxes nearly all transactions taking place in Hawaii and has one of the lower rates of any transactions tax in the nation.

That said, exemptions and exclusions erode the tax base and create apathy in those who enjoy those exemptions. A proposal to do away with the tax on food or medical services would insure that the vast majority of the voting public probably would pay even less attention to how lawmakers spend tax dollars as the bulk of their purchases would not contribute to the pot that lawmakers like to spend.

Tax shifting favors one taxpayer over another, creates confusion and the illusion that taxes are being cut. Such is the case of the tax credit for the Ko Olina development. The favored project gets tax breaks while the rest of us taxpayers keep on making the payments. Oh, and most importantly, we should remember things like businesses don't pay taxes, only people pay taxes as the tax on things gets passed on to us as people.

Lowell L. Kalapa is the president of the Tax Foundation of Hawaii, a private, non-profit educational organization. For more information, please call 536-4587 or log on to http://www.tfhawaii.org

URL: http://www.wordtronic.com
E-mail: newwave@aloha.net
808-721-0305 (phone) 808-941-9871 (24-hour fax)

• Electronic Newsletters • Journal Publishing • Writing Tutorials • Résumés & Cover Letters • Web Design, Hosting & Text Composition • Editing • Proofreading

Imaginative. Appealing. You have our word on it.

SOLVING TAX AND LEGAL PROBLEMS

Ronald Heller, Attorney
Phone 523-6000 Fax 523-6001
e-mail rheller@torkildson.com

Torkildson Katz Fonseca Moore & Hetherington
Attorneys At Law, A Law Corporation
700 Bishop Street, Suite 1500 Honolulu, Hawaii 96813

Light the Candle for Hawaii Reporter's First Birthday

By **Malia Zimmerman,** President & CEO
Hawaii Reporter

One year ago (February 11, 2002) Jay McWilliams and I launched HawaiiReporter.com under the banner of "Freedom to Report Real News," with the firm belief Hawaii's public deserved a newspaper published by people who did not fear of retaliation by those in government or other powerful positions.

Malia Zimmerman

From the beginning, we understood fully and lived and worked by Winston Churchill's 1940 statement: "A free press is the unsleeping guardian of every other right that free men prize. It is the most dangerous foe of tyranny." We'd experienced our share of tyrants who made us deeply appreciate Churchill's statement — some whom are still in office — but that is another story for different day.

In this first year, we were wildly successful in some areas while we struggled desperately in others. The struggles came partly because we were two journalists who opted to become entrepreneurs and owners of a business that relied heavily on high tech in order to create an independent news entity distributed instantaneously to thousands of people at a low cost. We had to delve deep into the mysterious Hawaii high-tech community and talk tech with many unusual characters, and for us "untechie" people, that was like trying to understand people who all spoke a foreign language with a slur and a mouthful of bubble gum.

We ran into our share of con artists, flakes, unreliable and indecisive people — we even did business with some of them. We hunted down potential investors in Hawaii and even flew to the mainland in 110 degree weather to meet with other potential investors, some whose money we turned down after we learned they had every intention of influencing our news coverage. We turned away other investors after we learned they were part of a "rough group of guys in Las Vegas," and thus came up with the internal company slogan: "No Prostitution, No Mobs."

We also learned chicks typically don't get venture capital and that we didn't want venture capital anyway because we wouldn't own our company or have control of when it would be sold — kind of like a lease from the devil. We also had a crash course in why businesses cannot afford to hire employees and why we could not afford to hire ourselves at minimum wage or pay our own health coverage. We learned why employer mandates, regulations and taxes are so burdensome on employers, and we got a first-hand, hard learned lesson in why Hawaii is known for being so hostile to small businesses and why no sane person would ever want to do business here. And yes, Forbes was right — doing business in Hawaii is equivalent to committing suicide, but we are hanging on to the hope that it will soon change.

Some of the great successes: Hawaii Reporter reached more than one million "hits" during the first five months of operation and now boasts several thousand readers a day, 7 days a week, including readers from around the world as far away as Africa and Pakistan and as close as Kailua. Hawaii Reporter publishes stories from numerous local people along with studies and op eds from more than 65 international free market public policy institutes and the United Press International Newswire.

Hawaii Reporter articles are reprinted in national publications including the United Press International, *The Washington Times, Liberty Magazine,* and the news reports have come to be read by editors and owners of national publications who subscribe, including *Forbes Magazine, The Washington Times,* United Press International and the *Wall Street Journal.*

But Hawaii Reporter didn't just report the news locally and nationally — it made the news. Hawaii Reporter and its principals were featured in a variety of local, national and international journals. Those include the *Wall Street Journal's Opinion Journal,* the United Press International, the Associated Press (Japan), the Freedom Forum, the *American Journal Review,* a Heritage Foundation publication, newspapers in South America and Hong Kong, *Small Business News* and *Honolulu Magazine.* Hawaii Reporter also had the opportunity to partner with KHNL News 8 to further its live election coverage during the 2002 General Election, and to make regular appearances on KHVH News Radio and K108 AM Radio to discuss stories featured in HawaiiReporter.com.

What makes Hawaii Reporter truly different from other media models is the way it is designed to make money. Typically news entities make most of their money off of ad sales. However, Hawaii Reporter's revenue comes mostly from selling a research and tracking system to businesses interested in easy and convenient access to public record. This data system helps subscribers identify new clients, track existing clients, competitors and vendors, and get information on new businesses, building permits, tax liens and lawsuits, bankruptcy, foreclosure or divorces. The research division of Hawaii Reporter provides research and legislative tracking for think tanks and non-profit organizations. There were other successes. Hawaii Reporter was named Outstanding Business Publication for 2002 by Small Business Hawaii, quite an honor as the organization's 2,000 members and board members vote on which news entity is doing the best job in reporting on problems and successes in business, government and education.

Most likely the biggest successes came each day with the many stories we documented that would have gone untold had we not uncovered and reported them. These were stories typically told from usually absent voices in the local liberal media — the conservative, Republican and Libertarian voices. Whether about heroes or scoundrels, the stories helped to expose good deeds and wrongdoing. We'd like to think these stories made the public more aware of the actions by legislators and those in the executive branch, in the county governments, in the public education system, in the judiciary and in the media, and empowered them to become a more involved citizenry.

On February 11, the state Senate is issued a resolution honoring Hawaii Reporter for its success in its first year in business. Ironically it is signed by many of the heroes and scoundrels we've highlighted in the last year, and for that, we thank the Senators.

To those who have stood by us and believed in us from the beginning — thank you. To our readers who have sent in op eds, letters, tips and encouragement, and have bought subscriptions voluntarily, we thank you for your support. To our staff, investors and vendors, we appreciate you standing by us through this first year.

As for the future, we have big dreams for the years ahead. We plan to expand our

Continued on page 12.

Lessons My Mother Taught Me By Example

Editor's Note: These Lessons were received by former Hawaii resident William Fox (Willfox23@aol.com) via the Internet.) Do these sound familiar? You might save them for reflection later.

1. My mother taught me **to appreciate a job well done.** "If you're going to kill each other, do it outside. I just finished cleaning."

My Mother also taught me each of the following:

2. **Religion**. "You better pray that will come out of the carpet."

3. **Time Travel**. "Wise up, or I will slap you into the middle of next week!"

4. **Circle of Life**. "I brought you into this world, and Sheriff Ralph can take you out."

5. **Logic.** "Because I said so, that's why."

6. **More Logic**. 'If you don't clean your room, you're not going to the store with me."

7. **Foresight**. "Make sure you wear clean underwear, in case you're in an accident."

8. **Irony.** "Keep crying, and I'll give you something to cry about."

9. **Stamina**. 'You can sit there until all that squash is gone from your plate."

10. **Osmosis**. "Be quiet, or you can go to bed without your supper!"

11. **Contortionism**. "Will you look at that dirt on the back of your neck."

12. **Weather**. "This room of yours looks as if a tornado went through it."

13. **Hypocrisy.** "If I told you once, I've told you a million times. Don't exaggerate!"

14. **Behavior Modification**. "Stop acting like your dad!"

15. **Envy**. "There are millions of less fortunate children in this world who don't have wonderful parents like you do."

16. **Anticipation**. "Just wait until we get home."

17. **Receiving**. "You are going to get it when you get home!"

18. **Medical Science**. "If you don't stop crossing your eyes, They are going to freeze that way."

19. **ESP**. "Put your jacket on; don't you think I know when you are cold?"

20. **Humor**. "When that lawn mower cuts off your toes, don't come running to me."

21. **How to become an adult**. "If you don't eat your vegetables, you'll never grow up."

22. **Genetics**. "You're just like your father."

23. **Wisdom**. "When you get to be my age, you'll understand."

24. And my favorite irony: My mother taught me about **Justice**. "One day you'll have kids, and I hope they turn out just like you!" What about you? Can you think of any more?

Welcome New Members

SBH Member Directory is online at
smallbusinesshawaii.com/~directory

Corboy Limited Partnership
Property Management
627-0824

Creative Meetings+Incentives, LLC
Destination Mgmt.—Networking
271-1942

Innovative Solutions
Non-profit Consulting Serv.
261-9358

L & C Florist & Farm
Floral-Wholesale
554-4440

Mana Means Advertising & Public Relations
Advertising/Public Relations Design
521-1160

The Source
Promotional Merchandise
225-4315

IF YOU MEAN BUSINESS... PLEASE JOIN SMALL BUSINESS HAWAII

Mail with check to: **SMALL BUSINESS HAWAII • Hawaii Kai Corporate Plaza**
6600 Kalanianaole Hwy., #212 • Honolulu, HI 96825 • Phone (808) 396-1724 • FAX (808) 396-1726

Attached is my check for $_____ **(regular annual membership dues are $175; $300 for 2 years).** I understand my payment is tax deductible [**IRS 501 (c) (6)**]. Billing is annual on the anniversary of my last payment. Ten dollars of my annual membership is allocated for a subscription to the monthly Small Business News. I am applying for membership and understand SBH does not sign up anyone for medical or benefits only; I agree to actively support the goals of SBH and actively participate in SBH activities. I certify that all information on this form is current and accurate.

PLEASE TYPE OR PRINT **Current Hawaii GET#** (required) _____

Name: _____ Date: _____

Firm: _____ Title: _____

Mailing Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ FAX: _____

Optional: Home Page URL http:// _____ E-Mail: _____

Membership Category: ☐ Regular Voting Member ☐ Retired member ☐ **Friend of SBH** (No G.E.T. # required).

I Do ☐ **DO NOT** ☐ wish to be listed in the annual SBH Referral Directory. Category: _____

Medical Desired: ☐ Kaiser (must have D.O.L. number) Referred By: _____

SIGNATURE: _____

Working Parents Prioritize Sharing With Their Children

By **Suzanne J. Gelb,** Ph.D., J.D.,
Licensed Psychologist & Attorney At Law

Are you a parent who complains about being overworked, underpaid, and unappreciated by your kids? Are you a parent whose kids seem to always be demanding and challenging to your parenting skills? If you relate to these questions, you are not alone. As one overworked dad comments, "Sometimes I think my son doesn't love me and that he is just in the house for a free ride." "My 13-year-old has this 'gimme gimme' attitude," says another parent, "and I feel that she couldn't care less about me or her dad."

In this regard, I would like to share with you an e-mail that touched my heart. The source is my daily column, Dr. Gelb Says, which addresses questions on the dynamics of living at http://www.hawaiireporter.com. The question was from a 12-year-old who I imagine is loved dearly by her parents, but they appear to be too busy to share with her how they feel and what is happening in their lives. Many parents exclude their children in this way.

Parents should try to never be too busy to share their lives with their children and talk openly with them. This can take the form of family meetings, at breakfast or even before bedtime. This type of sharing can teach children that if they have fears or concerns it is all right to discuss them openly. Then their fear is likely to subside and they can feel important as a member of the family. Family talk and being open with each other are some of the most nurturing experiences a family can have. So I share with you now the question that a concerned 12-year-old shared with me.

Suzanne J. Gelb

Hectic Schedule - Why The Panic?

Q: Dear Dr. Gelb:

I'm 12 years old and I love my parents. My mom works as a salesperson while we're at school, and she cares for my little sister and me the rest of the time. When mom's around she is always busy and it is hectic at home. She is always rushing and at night sometimes I go downstairs when I'm supposed to be asleep and I peak in the kitchen and most times she sits at the kitchen table and pigs out. I learned in school that obesity is bad for people's health, I worry about her.

Concerned Kid

A: Dr. Gelb says . . .

Dear Concerned:

Oh, 12 year old, what it would be like to be 12 again and be as smart and as observant as you. You obviously love your mother very much and even at the risk of being scolded, if I were you I would tell her how much I loved her and that I wish she wouldn't eat so much. I would tell her that I am studying in school how unhealthy it is to be obese and I don't want to lose her as my mother before I go to college. Then I would give her a big hug and go back to bed.

For more information call Dr. Gelb's office at 943-2994 or visit http://www.drgelbsays.com

Hawaii Reporter

Continued from page 10.

coverage further into television and radio to reach those who don't have access to the Internet, and we have many other plans to build Hawaii Reporter for the benefit of Hawaii.

No matter how much we grow, we will always remain committed to our goal of reporting the "real" news and providing coverage unlike any other media in Hawaii, because in the words of Thomas Jefferson, "Our liberty depends on the freedom of the press and that cannot be limited without being lost."

SMALL BUSINESS NEWS
March 2003
6600 Kalanianaole Hwy., Suite 212
Honolulu, Hawaii 96825
Phone 396-1SBH (1724)
www.smallbusinesshawaii.com